Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service; Review of the)	
Definition of Universal Service)	

REPLY COMMENTS OF AT&T CORP.

Howard J. Symons Sara F. Leibman Tara M. Corvo Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. 701 Pennsylvania Avenue, N.W. Washington, D.C. 20004 (202) 434-7300 Mark C. Rosenblum Judy Sello AT&T Corp. Room 1135L2 295 North Maple Avenue Basking Ridge, New Jersey 07920 (908) 221-8984

Of Counsel

January 4, 2002

TABLE OF CONTENTS

			Page
INTR	ODUC	ΓΙΟΝ AND SUMMARY	1
<u>I.</u>	THE	ANCED AND HIGH-SPEED SERVICES SHOULD NOT BE ADDED TO LIST OF CORE SERVICES ELIGIBLE FOR UNIVERSAL SERVICE ORT	•
	<u>A.</u>	Advanced and High-Speed Services Do Not Meet the Legal Requirements for Universal Service Support.	
	<u>B.</u>	Adding Advanced or High-Speed Services to the List of Core Services Would Violate Requirements of Competitive Neutrality.	6
	<u>C.</u>	An Overly Expansive List of Supported Services Increases the Costs of Basic Telecommunications Service for All Consumers.	7
	<u>D.</u>	Expanding Universal Service Support Is Not Necessary To Spur Broadband Investment and Would Hinder Development of Broadband Capabilities.	9
<u>II.</u>	CURI	RE IS NO LEGAL OR POLICY BASIS FOR EXPANDING THE RENT DEFINITION OF VOICE GRADE ACCESS TO ENCOMPASS RNET ACCESS AT 56 KBPS	10
III.	ADD	JOINT BOARD SHOULD REJECT REQUESTS TO RECOMMEND THE TION OF OTHER SERVICES TO THE LIST OF CORE SERVICES IBLE FOR UNIVERSAL SERVICE SUPPORT	-
CON	CLUSIC	<u>)N</u>	16

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service; Review of the)	
Definition of Universal Service)	

REPLY COMMENTS OF AT&T CORP.

Pursuant to Section 1.415 of the Commission's rules, 47 C.F.R. § 1.415, AT&T Corp. ("AT&T") submits these reply comments in the above-captioned proceeding.^{1/}

INTRODUCTION AND SUMMARY

Nearly all commenters agree that the Federal-State Joint Board on Universal Service ("Joint Board") should not include advanced or high-speed services within the list of core services, and should not extend the existing definition of voice grade access to include "support for a network transmission component of Internet access" at this time. Rather, the majority of commenters concur that, as AT&T stated in its initial comments, neither advanced and high-speed services nor a "transmission component" of Internet access beyond existing voice grade access standards meets the criteria of section 254 of the Communications Act for

^{1/} See Public Notice, Federal-State Joint Board on Universal Service Seeks Comment on Review of the Definition of Universal Service, CC Docket No. 96-45 (rel. Aug. 21, 2001) ("Notice").

Notice at 3.

universal service support because they are not "subscribed to by a substantial majority of residential customers" in the United States and are not "essential to education, public health, or public safety."

There is also substantial agreement that expanding the universal service program to include advanced and high-speed services would undermine the Commission's policy of ensuring competitive neutrality among technologies and endanger the Commission's goal of limiting the basic cost of telecommunications service as much as possible. In any event, as the commenters make clear, there is no need to change the definition of universal service to further the availability of advanced or high-speed services because deployment of high-speed and advanced services by a number of providers using diverse technologies already is occurring through natural market forces. Indeed, expanding the definition of universal service to include advanced and high-speed services could hinder broadband development and result in the inefficient use of scarce resources.

Similarly, as many commenters note, expanding the definition of voice grade access to encompass higher-speed (56 Kbps) Internet transmission would force carriers to devote resources to deploying a technology that may soon be outdated. Requiring service providers to alter investment plans and dedicate funds to inferior technologies in this way could also delay broadband and advanced services deployment.

Although some commenters argue that "equal access to interexchange service" should be added to the list of services eligible for universal service support, they fail to demonstrate that "equal access" meets the criteria for inclusion of section 254. Finally, Sandwich Isles

Communications' request that universal service funding be expanded to include "the use of

transport facilities in insular areas" should be rejected as an untimely attempt to raise issues already resolved in another proceeding.

I. ADVANCED AND HIGH-SPEED SERVICES SHOULD NOT BE ADDED TO THE LIST OF CORE SERVICES ELIGIBLE FOR UNIVERSAL SERVICE SUPPORT

The comments confirm that there is neither a legal nor policy rationale for including advanced or high-speed services on the list of supported services. In fact, adding such services to the list of core services likely would undermine the Commission's goal of promoting the deployment of advanced services.

A. Advanced and High-Speed Services Do Not Meet the Legal Requirements for Universal Service Support.

As AT&T showed in its initial comments, neither advanced nor high-speed services meets the Communications Act's clear guidelines for eligibility for universal service support.^{3/}
Under Section 254 of the Act, the Joint Board is directed to recommend, and the Commission is directed to establish, that telecommunications services be supported by universal service support mechanisms when they:

- (A) are essential to education, public health, or public safety;
- (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;
- (C) are being deployed in public telecommunications networks by telecommunications carriers; and
 - (D) are consistent with the public interest, convenience, and necessity.^{4/}

The vast majority of commenters -- including incumbent local exchange carriers ("ILECs"), competitive local exchange carriers ("CLECs"), commercial mobile radio service

_

^{3/} See AT&T at 3-5.

("CMRS") providers, and state regulatory commissions -- agree that advanced and high-speed services do not meet these criteria. As BellSouth argues, "[n]o advanced service has assumed the role of a basic or core telecommunications service. The market for advanced services is evolving and continues to develop." WorldCom concurs, noting that while advanced services have been deployed rapidly since they have become available, "we are far from the point where a 'substantial majority of residential customers' subscribe to advanced services" and that while the Internet "is full of helpful information . . . that information offering does not rise to the level of a necessity as contemplated by the statute's use of the word 'essential." Sprint emphasizes that the Commission's own data on subscribership demonstrate that "even where broadband service is available, customers themselves have not yet deemed it essential."

Valor Telecommunications and several other commenters argue that the Joint Board should largely ignore these statutory criteria, and support the provision of high-speed Internet access because, according to these commenters, "the public interest warrants doing so." As a number of parties point out, however, Congress did not merely establish a public interest test for determining which services should be supported. Rather, it directed the Commission to examine

^{4/} 47 U.S.C. § 254(c)(1).

See, e.g., New York DPS at 1-4 (noting that Congress' choice to set stringent standards for expanding the list of core services was not at odds with its goal of encouraging advanced services deployment, but rather "evinced an unmistakable preference to rely on the private sector, through competitive markets, to determine the scope and pace of such deployment" and use universal service only to "fill in any remaining gaps in subscription once those competitive markets have identified any truly necessary services or capabilities"); Verizon Wireless at 3-4; Sprint at 3-4.

^{6/} BellSouth at 6; see also Verizon at 5-6.

WorldCom at 11-12 (citing numerous statistics demonstrating deployment of and subscribership to advanced services).

WorldCom at 13.

^{9/} Sprint at 3.

^{10/} Valor Telecommunications at 4; see NTCA at 7.

all of the section 254 factors before adding a service to the list of core services. 11/ Contrary to Valor's assertions, "the Commission cannot 'flatly ignore or contravene' the statutory criteria in determining the list of core services," but "must consider all four of the criteria and reach a reasonable balance of all the interests involved." The criteria bear a substantial relationship to each other, and if a service is not widely available or has not been "subscribed to by a substantial majority of residential customers," it likely cannot be called "essential." More importantly, as SBC notes, it "would not make sense to conclude that a service satisfies the public interest criterion if it does not satisfy the other three statutory criteria." 14/

Valor not only acknowledges, but premises its argument on, the concept that high-speed technology is not "subscribed to by a substantial majority of residential customers" and is not "being deployed in public telecommunications networks by telecommunications carriers" in its area, ^{15/} both of which call into question the service's essential nature. Valor's conclusion, therefore, that the Joint Board should disregard Congress' directives and recommend adding high-speed Internet service to the list of core services^{16/} is entirely unsupported.^{17/}

^{11/} See AT&T at 7.

SBC at 4; *see also* Verizon at 2 (all four criteria must be considered, and "[i]f a service does not meet all the criteria, the evaluation must show why the public interest to include the service is so overwhelming that not all of the criteria need to be met").

^{13/} *See* SBC at 4.

^{14/} *Id*.

^{15/} See Valor at 5; see also TDS Telecommunications at 15 (acknowledging that "broadband services have not 'through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers"); NTCA at 7 (conceding that despite broadband availability, subscribership remains low).

^{16/} Valor at 4-5.

^{17/} In any event, as discussed below, public interest considerations do not outweigh the services' failure to meet the other three criteria. *See* sections I.C and I.D, *infra*.

B. Adding Advanced or High-Speed Services to the List of Core Services Would Violate Requirements of Competitive Neutrality.

Many commenters agree with AT&T that including advanced or high-speed services on the list of core services would not meet the Commission's requirement that "universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another." WorldCom, for instance, explains that adding advanced services to the list of supported services would violate principles of competitive neutrality because some carriers are "technologically incapable of providing advanced services throughout the geographic area for which they have been deemed an ETC," and some providers of advanced services may be "unable to provide the complete list of services currently supported by universal service or . . . provide services in a way not contemplated by the rules governing the designation of ETCs." Because these carriers would be ineligible to receive support, they "would be clearly disadvantaged in the market, thus eliminating or severely limiting their ability to attract customers and provide competitive choice and lower prices." The Illinois Commerce Commission similarly warns that:

[i]f the Commission employs a policy that is not technology neutral there is a real risk that the entrance of carriers using alternate technologies such as fixed wireless and satellite would be substantially hindered because the ILECs' receipt of universal service funding would subsidize the ILECs' provisioning of advanced telecommunications and information services, thereby placing any new competitors deploying alternate technologies to provide these services at a substantial competitive disadvantage.^{21/}

^{18/} AT&T at 5 (*citing Federal-State Joint Board on Universal Service*, 12 FCC Rcd 8776 ¶¶ 46-47 (1997)); *see* Competitive Universal Service Coalition at 4 ("the definition should not include peripheral requirements that do not relate to the core functionality" because such an approach results in favoring incumbent wireline providers over providers using other technologies).

^{19/} WorldCom at 17-18.

^{20/} *Id.* at 18; *see also* CTIA at 5-6.

²¹/ Illinois Commerce Commission at 4. *See also* Maryland Public Service Commission at 2-3 (voicing concern that proposal might not be "technologically neutral," which is particularly important "since it appears that new technologies, such as Internet access via satellite, have the

Even the ILECs -- the most likely beneficiaries of such a policy -- voice concerns that a policy of supporting advanced or high-speed services would not be competitively neutral.

BellSouth, for example, observes that because an overly expansive definition of universal service would exclude certain carriers from obtaining ETC status, "universal service support would act as a toll collector at the competitive gateway, allowing some carriers through and turning others away." SBC also cautions that in the highly competitive advanced services market, "it would be extremely disruptive to favor one type of provider or technology by subsidizing it with universal service support." The Commission should not put itself in the position of picking technological winners and losers through adoption of a policy that would do nothing to promote the procompetitive and universal service objectives of the Communications Act.

C. An Overly Expansive List of Supported Services Increases the Costs of Basic Telecommunications Service for All Consumers.

Many commenters share AT&T's concern that expanding the list of supported services would increase the cost of basic telecommunications service for all consumers.^{24/} The Illinois Commerce Commission notes that the underlying rationale for limiting the number of services eligible for support is "the recognition that the provisioning of service costs money and that support should, therefore be limited to those services that meet specific criteria in order to place constraints on the amount of monetary input that will be necessary to support the system." BellSouth similarly recognizes that "[e]xpanding the functions and capabilities that fall within

potential of providing high-speed access in rural, high-cost areas at lower cost than local exchange companies").

BellSouth at 5.

^{23/} SBC at 11.

^{24/} See, e.g., Qwest at 2; Verizon at 3; Verizon Wireless at 5-8 (noting that future growth of the universal service fund is already uncertain, due to several FCC order remands).

²⁵/ Illinois Commerce Commission at 2.

the definition of universal service would likely have a dramatic impact on the size of the universal service fund,"^{26/} and SBC states that "expanding the list of core services to include non-essential services will place an additional financial strain on a universal service system that already is overburdened."^{27/} In addition, the New York State Department of Public Service emphasizes that additions to the list of core services would "ultimately place upward pressure on telephone subscribers' basic service bills."^{28/}

In this regard, the Iowa Utilities Board cites a recent study finding that investments to upgrade rural study area lines alone -- only 5 percent of nationwide loops -- would total \$10.9 billion, not including DSL equipment, switch and backbone transport, or ongoing maintenance expenditures, and concludes that "expanding the definition of supported services to include advanced services will create a significant burden on carriers, very likely disrupting current business plans" and "reduc[ing] the level of support available for the current list of core services."^{29/} Given that current universal service programs support a fund of approximately \$5.4 billion and an assessment of 6.9 percent on interstate end user revenues, and that the fund is predicted to increase to \$6.6 billion, or 7.8 percent of interstate end user revenues, over the next five years, ^{30/} expanding the definition of universal service -- particularly by an increase of this predicted magnitude -- would put excessive new pressure on the Commission's and carriers' ability to support universal service for all Americans.

BellSouth at 3.

SBC at 5-6; see also WorldCom at 19-20.

^{28/} New York DPS at 1.

^{29/} Iowa Utilities Board at 4; *see also* Verizon Wireless at 6 (discussing identical study and concluding that "[s]upport for such infrastructure development would drastically expand the USF").

^{30/} Verizon at 3.

D. Expanding Universal Service Support Is Not Necessary To Spur Broadband Investment and Would Hinder Development of Broadband Capabilities.

Many commenters agree that access to advanced services and the Internet already is occurring without the need to revise the list of supported services or expand the definition of voice grade access.^{31/} As several commenters note, the Commission should not judge broadband's success by subscribership numbers, but rather by availability, since subscribership is affected by myriad factors, including the downturn in the economy.^{32/} The Iowa Utilities Board, for example, cites a February 2001 General Accounting Office (GAO) report that found that although broadband service was available to 52 percent of survey respondents, only 12 percent subscribed to the service, and nearly 80 percent were unwilling to pay more than \$10 over their current monthly charge for high-speed Internet access.^{33/} Similarly, a recent study by Hart Research and the Winston Group found that while 70 percent of households in the nation have access to high-speed Internet service, the majority of survey respondents did not plan to subscribe to broadband service at current prices.^{34/}

The comments further demonstrate that not only is a policy to spur broadband deployment unnecessary, expanding the list of supported services could in fact "impede development of the broadband market." BellSouth, for example, states that including advanced services within the definition of universal service "would skew market demand and

^{31/} See, e.g., WorldCom at 20-27 (discussing extensive evidence that broadband deployment is already occurring).

^{32/} See, e.g., id. at 28 ("demand factors -- and not supply -- are the primary deterrent to broadband deployment"); Iowa Utilities Board at 4-5.

^{33/} *Id.*; see also Maryland Public Service Commission at 2.

^{34/} See "Broadband Too Pricey for Dial-Up Users, Survey Says," *Communications Daily* (Nov. 30, 2001) at 8.

^{35/} Maryland Public Service Commission at 2.

alter investment decisions . . . derail[ing] broadband development."^{36/} Moreover, as Sprint explains, allowing universal service support for advanced services could result in market inefficiencies because decisions on whether or not to deploy service would be based on an expectation of receiving support, rather than a determination that the technology is an efficient means of serving that market.^{37/}

II. THERE IS NO LEGAL OR POLICY BASIS FOR EXPANDING THE CURRENT DEFINITION OF VOICE GRADE ACCESS TO ENCOMPASS INTERNET ACCESS AT 56 KBPS

The State of Alaska and the Regulatory Commission of Alaska argue that expanding the definition of voice grade access to include dial-up Internet access at 56 Kbps would satisfy each of the four criteria of section 254(c).^{38/} The evidence proffered by these entities, however, falls far short of the showing required under section 254.

For example, while section 254 requires the proponents of expanding the universal service definition to show that dial-up Internet access at 56 Kbps is "subscribed to by a substantial majority of residential customers," the Alaska Entities' "evidence" consists of statistics and estimates relating to U.S. households subscribing to any online service, regardless

10

_

^{36/} BellSouth at 6. The ILECs argue that broadband deployment is best encouraged by deregulation of their advanced services offerings. *See* Verizon at 4-5; SBC at 9; BellSouth at 6. In fact, deregulating the ILECs would hinder broadband deployment by endangering the ability of competitive carriers to offer advanced and high-speed services to their customers. As AT&T explained in its initial comments, the Commission can best foster the competitive availability of advanced capabilities through vigorous enforcement of the market-opening requirements of the 1996 Act. *See* AT&T at 11-12.

Sprint at 6; *see also* Qwest at 2 ("it is not at all clear that [including advanced services] would be an efficient use of universal service funds. In many rural areas, there may be more economical means of providing advanced services, such as satellite, wireless, or cable modem service").

^{38/} See State of Alaska at 11-20; Regulatory Commission of Alaska at 6-9 (collectively, "Alaska Entities").

of the speed (or technology) used to access the Internet.^{40/} The State of Alaska states only that "Internet usage at speeds of 56 Kbps or above has been growing rapidly" and refers to a study finding that "[m]ore people currently connect at 56 Kbps than any other Web speed."^{41/} The Regulatory Commission of Alaska merely asserts that "Internet access at the customer's residence has become prevalent throughout the country" without reference to any particular connection speed.^{42/}

Similarly, the Alaska Entities' demonstration that the service is "essential" addresses only access to the Internet generally, not the purported need for dial-up access at 56 Kbps, ^{43/} and is contradicted by the New York Department of Public Service, which states that "it appears that those who do subscribe to Internet access in the home make only limited use of it for activities that relate to education, public health, or public safety." Without a showing that dial-up Internet access at 56 Kbps meets section 254's criteria, the Alaska Entities' proposal should be rejected. ^{45/}

Further, serious policy considerations weigh against expanding the definition of voice grade access to include Internet transmission at 56 Kbps. As several commenters emphasize,

^{39/} 47 U.S.C. § 254(c)(1)(B).

^{40/} State of Alaska at 12-13. Further, this evidence is contradicted by that submitted by the New York Department of Public Service, which refers to NTIA's conclusion that only 41.5% of U.S. households in 2000 had Internet access of any speed. New York DPS at 5.

^{41/} State of Alaska at 14.

^{42/} Regulatory Commission of Alaska at 7.

^{43/} See State of Alaska at 16-19; Regulatory Commission of Alaska at 6-7.

^{44/} New York DPS at 5.

The fallacy of this argument is best demonstrated by the Alaska Regulatory Commission itself, which simultaneously argues both that dial-up Internet access should be added to the list of supported services because it is essential and subscribed to by a majority of customers and that Alaska carriers should be able to receive universal service support without providing this service, because carriers might not be able to provide the service and would lose their ETC status. *See* Alaska Regulatory Commission at 12-13.

adding dial-up Internet access to the list of core services — thus requiring all ETCs to make the service available — would force service providers to invest substantial funds in a technology that may soon be outdated. BBC, for instance, cites statistics that demonstrate that "there has been steady growth in both the deployment of advanced services and the number of subscribers to such services," but cautions that there is a "real danger that, in establishing universal service standards, the Commission and the Joint Board could drive the market to an inferior or outdated technology." BellSouth explains that redefining voice grade access would not accomplish its advocates' goals because "[c]hanging the bandwidth definition would not change the fact that there are neither industry standards nor specifications developed to support the changed definition," but could have the effect of "adversely impact[ing] other telecommunications services, including xDSL services." As BellSouth correctly concludes, such a requirement is "absolute folly" because "it would divert scarce resources from investment in technology to investment in technology alternation of existing technology."

III. THE JOINT BOARD SHOULD REJECT REQUESTS TO RECOMMEND THE ADDITION OF OTHER SERVICES TO THE LIST OF CORE SERVICES ELIGIBLE FOR UNIVERSAL SERVICE SUPPORT

Virtually all commenters agree that the Commission should not expand the universal service program to include support for soft dial tone, warm line, toll, expanded area service

^{46/} See, e.g., SBC at 9-11; BellSouth at 5-6. The State of Alaska itself acknowledges the trend towards upgrading to a speed that far exceeds 56 Kbps. State of Alaska at 14-15.

^{47/} SBC at 9.

^{48/} *Id.* at 11.

^{49/} BellSouth at 5-6; *see also* Sprint at 8 (noting difficulty in administering requirement and determining whether customers are receiving the proper speed).

^{50/} BellSouth at 6.

("EAS") or pre-paid calling.^{51/} The commenters generally state that such additions may increase the costs of basic service for all consumers, and do not meet the criteria for inclusion contained in section 254.^{52/} A few commenters, however, propose that other services not mentioned in the *Notice* -- "equal access to exchange service" and "the use of transport facilities in insular areas" -- should be added to the list of core services.^{53/} As discussed below, because neither proposed addition meets section 254's criteria for supported services, these recommendations should be rejected.

The Organization for the Promotion and Advancement of Small Telecommunications

Companies ("OPASTCO"), NTCA, and the Montana Universal Service Task Force fail to

demonstrate that requiring carriers to provide equal access to interexchange service is in any way

"essential to education, public health, or public safety." Rather, OPASTCO simply states that

access to interexchange service is essential and, therefore, *equal* access to interexchange service

should be considered essential "by extension." OPASTCO further asserts, without any

foundation, that equal access is essential to public safety because rural subscribers should "not
have to dial extra digits to access their presubscribed toll carriers in an emergency situation."

NTCA claims that equal access is essential because "[a]ffordable, reliable long distance is

essential to the rural American consumer's ability to make calls for his or her personal and

family's care and well-being," and "equal access gives the consumer the opportunity to shop for

⁵¹

^{51/} See, e.g., BellSouth at 7; New York DPS at 6; Sprint at 9; AT&T Wireless at 4-5; Competitive Universal Service Coalition at 6-7; CTIA at 3.

^{52/} See id.

^{53/} OPASTCO at 3-5; NTCA at 2-4; Montana Universal Service Task Force at 7-8; Sandwich Isles Communications, Inc. at 1.

^{54/} OPASTCO at 3-5; NTCA at 2-4; Montana Universal Service Task Force at 7-8.

OPASTCO at 3.

the long distance carrier particularly suited to his or her needs." The Montana Universal Service Task Force states only that "subscribers in rural areas have for years considered the ability to choose their long distance provider to be fundamental and thus part of basic service."

Such unsupported statements do not satisfy the requirements of section 254, nor do they justify burdening the overtaxed universal service support system with additional funding requirements. In fact, grant of these requests to require wireless carriers to provide equal access to interexchange service, as well as proposals from the same parties that wireless carriers be treated for regulatory purposes as local exchange carriers when they receive ETC designation, would thwart competition from alternative providers in rural areas. Rather than adopt requirements that exceed the mandates of the Communications Act and have nothing to do with a particular carrier's or class of carriers' ability to offer universal service, the Commission's eligibility criteria should promote competition from as many sources and technologies as possible. 59/

Finally, the Commission should reject Sandwich Isles' argument that the definition of "access to interexchange service" should be modified to include "the use of transport facilities in insular areas." The Commission recently considered and modified the rules for providing high-cost universal service support to rural telephone companies, and specifically determined

14

⁵⁶/ NTCA at 3.

Montana Universal Service Task Force at 7.

^{58/} See OPASTCO at 5-9; Montana Universal Service Task Force at 18, 21.

Indeed, the Montana Universal Service Task Force explicitly acknowledges that its position that equal access to interexchange service should be included is founded in its belief that the statutory exemption from this requirement for wireless carriers is unfair. *See* Montana Universal Service Task Force at 8. Furthering particular parties' regulatory agendas is not the purpose of universal service funding.

^{60/} Sandwich Isles Communications, Inc. at 1.

that for the next five years, it would use a modified embedded cost mechanism to increase rural carrier support, and that such support would be limited to support for high-cost loops (subject to an indexed cap) and certain other specified expenses.^{61/} The Commission's decision to cover the costs of only these items was based on its recognition that "in crafting universal service policies and programs, the Commission must strike a fair and reasonable balance among the goals and principles of the Act, and consider both the adequacy of support and the burden on contributors."^{62/} Indeed, the Commission characterized its decision as "more generous to rural carriers than the current mechanism" and explained that it did "not want to stifle prudent investment" and wanted to "ensur[e] that rural telephone companies are able to provide supported services at affordable and reasonably comparable rates."^{63/} Sandwich Isles' attempt to reopen these issues is untimely and should not be considered in this proceeding.^{64/}

-

^{61/} Federal-State Joint Board on Universal Service; Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, 16 FCC Rcd 11244, $\P\P$ 28, 37 (2001).

^{62/} *Id.* ¶ 27.

^{63/} *Id.* ¶ 42.

Similarly, the Commission currently is addressing in another proceeding mechanisms for cost recovery from end users. Therefore, contrary to the assertions of Acuta, Inc. and Stephen Judycki, *see* Acuta at 3-4; Judycki at 2-5, consideration of these issues in this proceeding is inappropriate and unnecessary.

CONCLUSION

For the above reasons and for the reasons discussed in AT&T's initial comments, the Joint Board should recommend that the Commission retain its current definition of voice grade access, and its current list of supported services.

Respectfully submitted,

AT&T CORP.

Howard J. Symons Sara F. Leibman Tara M. Corvo Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. 701 Pennsylvania Avenue, N.W. Washington, D.C. 20004 (202) 434-7300

Of Counsel

January 4, 2002

Mark C. Rosenblum Judy Sello Room 1135L2 295 North Maple Avenue Basking Ridge, New Jersey 07920 (908) 221-8984

CERTIFICATE OF SERVICE

I, Tara M. Corvo, hereby certify that on this 4th day of January 2002, I caused copies of the foregoing "Reply Comments of AT&T Corp." to be sent to the following by either first class mail, postage prepaid, or by hand delivery (*).

Maureen Trimm President ACUTA, Inc. 152 West Zandale Drive, Suite 200 Lexington, Kentucky 40503

John W. Katz, Esq. Special Counsel to the Governor Director, State-Federal Relations Office of the State of Alaska 444 North Capitol Street, N.W., Suite 336 Washington, D.C. 20001

Matthew D. Bennett Policy Director Alliance for Public Technology 919 18th Street, N.W., Suite 900 Washington, D.C. 20006

Richard M. Sbaratta BellSouth Corporation Suite 4300 675 West Peachtree, N.E. Atlanta, Georgia 30375-0001

Robert N. Felgar Dickstein Shapiro Morin & Oshinsky LLP 2101 L Street, N.W. Washington, D.C. 20037-1526 James S. Blaszak Levine, Blaszak, Block & Boothby, LLP 2001 L Street, N.W. Suite 900 Washington, D.C. 20036

James Rowe Executive Director Alaska Telephone Association 201 E. 56th, Suite 114 Anchorage, Alaska 99518

Douglas I. Brandon Vice President - External Affairs AT&T Wireless Services, Inc. 1150 Connecticut Avenue, N.W. Washington, D.C. 20036

Michael F. Altschul Senior Vice President & General Counsel CTIA 1250 Connecticut Avenue, N.W. Suite 800 Washington, D.C. 20036

Michele C. Farquhar David L. Sieradzki Ronnie London Hogan & Hartson LLP 555 13th Street, N.W. Washington, D.C. 20004 Michael J. Ettner Senior Assistant General Counsel Personal Property Division General Services Administration 1800 F Street, N.W., Room 4002 Washington, D.C. 20405

Sarah A. Naumer Thomas G. Aridas Special Assistant Attorneys General 160 N. LaSalle, Suite C-800 Chicago, IL 60601

Susan S. Miller, Esq. General Counsel Maryland Public Service Commission 6 St. Paul Street Baltimore, MD 21202

Lawrence G. Malone General Counsel New York State Department of Public Service Three Empire State Plaza Albany, New York 12223-1350

Stuart Polikoff Director of Government Relations OPASTCO 21 Dupont Circle, N.W., Suite 700 Washington, D.C. 20036

Norman G. Curtright Sharon J. Devine Qwest Communications International Inc. Suite 700 1020 19th Street, N.W. Washington, D.C. 20036

Marci E. Greenstein Rural Cellular Association 2120 L Street, N.W. Suite 520 Washington, D.C. 20037 Jeffry H. Smith Consulting Manager GNVW Consulting, Inc. 8050 SW Warm Springs Street Suite 200 Tualatin, Oregon 97062

James R. Langenberg Utility Analyst Iowa Utilities Board 350 Maple Street Des Moines, IA 50319

Michael C. Strand Montana Universal Service Task Force 2021 11th Avenue, Suite 12 Helena, Montana 59601

Jill Canfield Regulatory Counsel National Telephone Cooperative Assoc. 4121 Wilson Boulevard, 10th Floor Arlington, VA 22203

Jonady Hom Sun State of California and the California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102

Commissioner James S. Strandberg Regulatory Commission of Alaska 701 West 8th Avenue Anchorage, AK 99501

Alan W. Pedersen Vice President - Regulatory Affairs Sandwich Isles Communications, Inc. Pauahi Tower, 27th Floor 1001 Bishop Street Honolulu, HI 96813 Jeffry A. Brueggeman SBC Communications Inc. 1401 I Street, N.W., 11th Floor Washington, D.C. 20005

Rick Zucker Brian Staihr Sprint Corporation 6360 Sprint Parkway, KSOPHE0302 Overland Park, KS 66251

Margot Smiley Humphrey Holland & Knight LLP 2099 Pennsylvania Avenue, N.W. Suite 100 Washington, D.C. 20006-6801

Claude L. Stout Executive Director Telecommunications for the Deaf, Inc. 8630 Fenton Street, Suite 604 Silver Spring, MD 20910-3803

Judith A. Endejan Graham & Dunn, P.C. 1420 Fifth Avenue, 33rd Floor Seattle, WA 98101

John W. Hunter United States Telecom Association 1401 H Street, N.W. Suite 400 Washington, D.C. 20005

William M. Ojile, Senior Vice President, General Counsel and Secretary Valor Telecommunications Enterprises, LLC 201 East John Carpenter Freeway Las Colinas Tower 1, Suite 200 Irving, Texas 75062 Jay C. Keithley Sprint Corporation 401 9th Street, N.W. Suite 400 Washington, D.C. 20004

Stephen A. Judycki 3 Parkwood Drive Wilbraham, MA 01095-1323

William L. Fishman Swidler Berlin Shereff Friedman, LLC 3000 K Street, N.W. Suite 300 Washington, D.C. 20007-5116

Richard A. Muscat The González Law Firm One Westlake Plaza 1705 South Capitol of Texas Highway Austin, Texas 78746

Christopher R. Day Angela J. Campbell Insitute for Public Representation Georgetown University Law Center 500 New Jersey Avenue, N.W. Suite 312 Washington, D.C. 20001

Henry Rivera Rodney L. Joyce Shook, Hardy & Bacon, L.L.P. 500 14th Street, N.W. Suite 800 Washington, D.C. 20005-2004

Joseph DiBella Verizon 1515 North Court House Road Room 411 Arlington, VA 22201-2909 Charon J. Harris Regulatory Counsel Verizon Wireless 1300 I Street, N.W. Suite 400 West Washington, D.C. 20005

Paul M. Schadel Craig W. Stron Woods & Aitken LLP 301 South 13th Street, Suite 500 Lincoln, Nebraska 68508 Mary L. Brown Robert Lopardo Lori Wright WorldCom, Inc. 1133 19th Street, N.W. Washington, D.C. 20036

Qualex International* Portals II 445 12th Street, S.W. Room CY-B402 Washington, D.C. 20554

Tara M. Corvo/s/
Tara M. Corvo

WDC 232185v2